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Economic and environmental questions: human settlements**Coordinated implementation of the Habitat Agenda****Report of the Secretary-General***Summary*

The present report has been prepared pursuant to paragraph 7 of Economic and Social Council resolution 2014/30. It provides a description of the activities undertaken by the United Nations Human Settlements Programme in cooperation with other agencies and organizations of the United Nations system in the coordinated implementation of the Habitat Agenda at the global, regional and national levels.

The report concludes with five recommendations by which Member States are called upon:

- (a) To continue to give appropriate consideration to the role of urbanization in sustainable development in their discussions on the post-2015 development agenda and sustainable development goals;
- (b) To adopt integrated approaches that engage all key stakeholders and levels of subnational government in order to produce innovative solutions to foster economic, environmental and social sustainability;
- (c) To ensure the alignment of ideas on cities and human settlements across the current consultations on major global issues, including on the post-2015 development agenda and sustainable development goals, climate change and the United Nations Conference on Housing and Sustainable Urban Development;



(d) To establish or strengthen national urban policies in order to provide for the coordinated development of urban settlements of all sizes and to fully harness the potential contribution of urbanization to sustainable development;

(e) To make use of the international guidelines on urban and territorial planning approved by the Governing Council of the United Nations Human Settlements Programme in April 2015 as a framework for improving policies, plans, designs and implementation processes for more compact, better integrated and connected urban settlements that foster sustainability and resilience, including through effective climate change mitigation and adaptation measures.

I. Introduction

1. The present report has been prepared pursuant to paragraph 7 of Economic and Social Council resolution 2014/30.
2. During the reporting period, the United Nations Human Settlements Programme (UN-Habitat) continued to broaden its cooperation with United Nations system organizations and agencies. Among the key vehicles for cooperation were the United Nations System Chief Executives Board for Coordination (CEB) (including its three pillars of the United Nations Development Group, the High-level Committee on Programmes and the High-level Committee on Management), the Executive Committee on Economic and Social Affairs, the Executive Committee on Humanitarian Affairs and the Inter-Agency Standing Committee. UN-Habitat continued to provide technical inputs to reports of the Secretary-General and other relevant United Nations system-wide documents, including those relating to the post-2015 development agenda and the sustainable development goals.
3. Outside the United Nations system, UN-Habitat continued to strengthen its relations with Habitat Agenda partners, including civil society groups, the private sector, professional bodies and research and training institutions.

II. Activities at the global level

4. Activities at the global level in which UN-Habitat worked with numerous United Nations agencies, funds and programmes, Governments and a wide range of partners included preparations for the United Nations Conference on Housing and Sustainable Urban Development (Habitat III), the preparation of a High-level Committee on Programmes paper on urbanization and sustainable development, the World Urban Campaign, consultations on the post-2015 development agenda and the sustainable development goals and contributions to the United Nations Framework Convention on Climate Change, and the first integration segment of the Economic and Social Council.

A. Preparatory activities for the United Nations Conference on Housing and Sustainable Urban Development

5. The General Assembly, by its resolution 66/207, decided to convene the third United Nations Conference on Housing and Sustainable Urban Development (Habitat III), in 2016, to reinvigorate the global commitment to sustainable urbanization through a "New Urban Agenda". The General Assembly subsequently decided that Habitat III would be held in Quito during the week of 17 October 2016 and that the third session of the Preparatory Committee for the United Nations Conference on Housing and Sustainable Urban Development (Habitat III) would be held in Indonesia in July 2016.
6. In paragraph 11 of its resolution 24/14, the UN-Habitat Governing Council invited the Secretary-General of the Conference to consider establishing an effective United Nations system-wide coordination mechanism to enable the effective participation and contributions of United Nations bodies, including the specialized agencies and the international financial institutions, at all stages of the preparatory process and at the Conference itself.

7. The third meeting of the United Nations inter-agency coordinating committee for Habitat III (established in Geneva in July 2013) was held during the seventh session of the World Urban Forum. An open consultation meeting was also held during the first session of the Preparatory Committee. A United Nations task team on Habitat III was established during the second half of 2014 and its first meeting was held in January 2015. The task team has prepared issue papers that examine key challenges and provide recommendations with respect to the most significant urban topics to be considered within the Habitat III preparatory process. The team is also carrying out an assessment of ongoing efforts within the United Nations system, including projects and practices on sustainable urban development.

8. In accordance with paragraph 5 of UN-Habitat Governing Council resolution 24/14, and in line with paragraph 11 of General Assembly resolution 67/216 and paragraph 9 of Assembly resolution 68/239, regional reports drawing on national reports and on available knowledge, resources and data are being prepared in cooperation with the United Nations regional commissions and other relevant international, regional and subregional organizations.

B. High-level Committee on Programmes working group on a new United Nations urban agenda

9. During the reporting period, UN-Habitat continued to chair the High-level Committee on Programmes working group on a new United Nations urban agenda, which was established in early July 2014. The working group consists of the following core United Nations system entities: Department of Economic and Social Affairs of the Secretariat, Food and Agriculture Organization of the United Nations (FAO), International Fund for Agricultural Development (IFAD), International Labour Organization (ILO), International Telecommunication Union (ITU), Office of the United Nations High Commissioner for Human Rights (OHCHR), United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), Joint United Nations Programme on HIV/AIDS (UNAIDS), United Nations Conference on Trade and Development (UNCTAD), United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), United Nations Educational, Scientific and Cultural Organization (UNESCO), United Nations Population Fund (UNFPA), United Nations Children's Fund (UNICEF), United Nations Industrial Development Organization (UNIDO), United Nations Office on Drugs and Crime (UNODC), United Nations Office for Project Services (UNOPS), World Trade Organization (UNWTO), Universal Postal Union (UPU), World Bank, World Food Programme (WFP), World Meteorological Organization (WMO) and United Nations University (UNU).

10. The High-level Committee on Programmes working group prepared a draft paper, which is still a work in progress, entitled "Urbanization and sustainable development: the United Nations system's input to a New Urban Agenda". The main objectives of the paper are: (a) to develop a coherent United Nations system input to the Habitat III preparatory process, in particular towards the outcome document of the conference, which is to be entitled the "New Urban Agenda"; (b) to ensure policy coherence and cooperation in the implementation of the sustainable cities and human settlements dimension of the post-2015 development agenda and of the outcome of Habitat III; (c) to provide a framework for the United Nations system organizations to showcase their work on urban issues.

11. The paper addresses the challenges facing today's urbanization patterns and the opportunities that urbanization offers for sustainable development. It sets out, for consideration by the High-level Committee on Programmes and eventually by CEB, 8 guiding principles and 10 key levers of transformative change towards sustainable urbanization that could be considered in the formulation of a "New Urban Agenda", the envisaged outcome document of Habitat III.

12. The High-level Committee on Programmes working group has also proposed that CEB issue a joint statement on urbanization and sustainable development at Habitat III. This proposal was accepted by the High-level Committee on Programmes at its twenty-ninth session (11-12 March 2015), but, at the time of writing, it was awaiting approval by CEB. The High-level Committee on Programmes working group is further developing a proposal on issue-based partnership in the area of urbanization.

C. World Urban Campaign

13. The World Urban Campaign was launched in March 2010 at the fifth session of the World Urban Forum. It has evolved from a knowledge-sharing network into a think tank and has been considerably strengthened, in terms of both legitimacy and the number of partners engaged.

14. The Campaign currently includes more than 75 partners and members, representing major constituencies and umbrella organizations with large global outreach. Its partners are instrumental for UN-Habitat in the promotion of urbanization issues and solutions in general, as well as Habitat III. Campaign members also act as multipliers in terms of the dissemination of key messages.

15. Since the sixth session of the World Urban Forum, held in Naples, Italy, in September 2012, and the launch of the "Manifesto for cities: the urban future we want", the World Urban Campaign has become actively engaged in the Habitat III preparatory process. Partners have recognized the strategic importance of Habitat III to the elevation of the urban agenda globally.

16. During the reporting period, meetings of the World Urban Campaign were held to facilitate the process of consultation and consensus-building among stakeholders, identify and collect good practices that could contribute to the New Urban Agenda, and support national urban campaigns and their communication and outreach activities initiated for the purpose of contributing to national preparations for Habitat III.

17. A consensus document on the "City we need", a vision of the twenty-first century city drafted by the World Urban Campaign's Habitat III working group in September 2013, was presented in New York in March 2014 by key partners, including the Special Envoy of the Secretary-General for Cities and Climate Change, Michael R. Bloomberg, in collaboration with the Ford Foundation. As part of the "City we need" process towards Habitat III, the UN-Habitat initiative "Urban, Thinkers Campus" took place in Caserta, Italy, in October 2014.

D. Post-2015 development agenda and sustainable urbanization

18. During the reporting period, UN-Habitat continued to actively participate in the post-2015 sustainable development goals process in order to provide adequate information to Governments, United Nations system organizations and other stakeholders on the role of urbanization in sustainable development, with a view to ensuring that sustainable urbanization is adequately reflected in the process.

19. Building on its earlier contribution to the work of the United Nations System Task Team on the Post-2015 United Nations Development Agenda, UN-Habitat and UNEP both lent further technical support to the Open Working Group of the General Assembly on Sustainable Development Goals, leading a group of more than 15 United Nations agencies on the topic of sustainable cities and human settlements. In that role, UN-Habitat and UNEP led the drafting of a collation of proposed targets and indicators in support of the work of the Open Working Group.

20. UN-Habitat also continued to participate in the activities of the Sustainable Cities Thematic Group of the Sustainable Development Solutions Network and to work with the Global Task Force of Local and Regional Governments and the Communitas Coalition for Sustainable Cities and Regions.

21. As Vice-Chair of UN-Water, UN-Habitat also contributed to the sustainable development goals consultation process and to the discussions on the post-2015 development agenda with regard to water and sanitation.

22. After more than a year of discussion and negotiation, the Open Working Group, at its thirteenth and final session, adopted by acclamation on 19 July 2014 a proposal on sustainable development goals and targets that includes proposed goal 11, "Make cities and human settlements inclusive, safe, resilient and sustainable" (see A/68/970 and Corr.1).

E. Processes under the United Nations Framework Convention on Climate Change

23. During the reporting period, UN-Habitat participated actively in processes under the United Nations Framework Convention on Climate Change, primarily under work stream 2 of the Ad Hoc Working Group on the Durban Platform for Enhanced Action. For example, the Deputy Executive Director of UN-Habitat chaired the forum on experiences and best practices of cities and subnational authorities in relation to adaptation and mitigation, held at the Climate Change Conference in Bonn, Germany, in June 2014. UN-Habitat contributed to the first "Cities Day" ever held at such a conference. Other processes in which UN-Habitat participated include:

(a) Sixth part of the second session of the Ad Hoc Working Group on the Durban Platform for Enhanced Action, held in Bonn, Germany in October 2014;

(b) Twentieth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, held in Lima in December 2014;

(c) Eighth part of the second session of the Ad Hoc Working Group on the Durban Platform for Enhanced Action, held in Geneva in February 2015.

UN-Habitat also participates in the High-level Committee on Programmes Working Group on Climate Change.

24. In December 2014, UN-Habitat launched a multi-stakeholder initiative to develop guidelines for city climate action plans, with a target launch date for version 1.0 planned for December 2015, at the twenty-first session of the Conference of the Parties to the United Nations Framework Convention on Climate Change in Paris. Activities during the reporting period included a partners' meeting at the twentieth session of the Conference of the Parties, held in Lima in December 2014, and an expert group meeting in Oslo (March 2015). To date, the United Nations entities involved include UNEP, the World Bank and the Global Environment Facility (GEF).

F. Integration segment of the Economic and Social Council

25. The first-ever integration segment of the Economic and Social Council was held from 27 to 29 May 2014 in New York. It was organized by the Department of Economic and Social Affairs of the Secretariat, in collaboration with UN-Habitat and the Office of the Special Adviser on Africa and with the support of United Cities and Local Governments. The segment focused on the theme "Sustainable urbanization" and was aimed at exploring how urbanization can be an effective tool for the integration of economic, social and environmental dimensions of sustainable development. Habitat III featured prominently in the discussions at the integration segment.

26. At the segment, it was concluded that urbanization can serve as a transformational force for achieving and advancing sustainable development. To this end, an integrated approach that engages all key stakeholders in order to produce innovative solutions aimed at fostering economic, environmental and social sustainability will be required.

27. As stated in the summary of the integration segment, the outcome of the segment would not only feed into the high-level segment of the Economic and Social Council, including the high-level political forum on sustainable development, but would also serve as the Council's contribution to Habitat III in 2016.

G. World Humanitarian Summit

28. UN-Habitat contributed to the preparatory process of the World Humanitarian Summit to be held in Istanbul, Turkey, in May 2016. In particular, it led the consultative process on urban issues, working closely with the secretariat of the World Humanitarian Summit, the International Rescue Committee and the Department for International Development of the Government of the United Kingdom of Great Britain and Northern Ireland. This effort is in response to the Secretariat's recognition of the importance of reshaping the current humanitarian system so as to enable it to better respond to humanitarian crises within cities, in the light of their complexity.

III. Activities at the regional level

29. At the regional level, UN-Habitat continued to work collaboratively with other United Nations system organizations to assist in the organization of, or contribute

to, regional ministerial meetings on housing and urban development. It also worked closely with two regional development banks to promote the implementation of the Habitat Agenda.

A. Regional ministerial meetings

30. The fifth Asia-Pacific Ministerial Conference on Housing and Urban Development was held in Seoul from 3 to 5 November 2014 under the theme "Equal opportunity for sustainable development". The ministers adopted the Seoul Declaration, in which, among other things, they emphasized the linkage between sustainable urbanization and sustainable development, agreed on the need for an urban sustainable development goal and the formulation of the New Urban Agenda at Habitat III, and decided to deepen their commitment to collaboration and cooperation in the region to make cities and human settlements integrated, inclusive, sustainable and resilient. The ministers also decided to develop and implement innovative national policies promoting inclusiveness and equity in urban planning, urban development and infrastructure expansion.

31. UN-Habitat continued to participate regularly in the meetings of the League of Arab States Ministerial Council on Housing and Construction and its Technical Advisory Committee. UN-Habitat and the League of Arab States created a joint committee, also composed of representatives of Arab States, to support the elaboration of an Arab strategy for housing and urban development. They are also collaborating in the development and launch of the Arab Ministerial Forum on Housing and Urban Development, whose first meeting is expected to be held in Egypt during the second half of 2015. The League of Arab States will be a key regional partner in preparations for Habitat III.

32. UN-Habitat worked in close collaboration with the African Union, through the African Urban Agenda, including on a presidential initiative led by the Presidents of Ghana and Nigeria to promote urbanization as a transformative force for Africa's development, within the context of Agenda 2063, and to strengthen the continent's participation in achieving the global milestones of the post-2015 development agenda, Habitat III and the sustainable development goals, among other things.

33. In this context, UN-Habitat supported the African Union Specialized Technical Committee on Public Service, Local Government, Urban Development and Decentralization during its meeting at the end of March 2015. UN-Habitat organized a side event, attended by the Chair of the African Union Commission, on the role of Africa's urbanization in the structural transformation of Africa. The African Union Chair accepted the request by UN-Habitat to have the next summit of Heads of State and Government of the African Union deliberate on the theme of urbanization in Africa.

34. UN-Habitat continued working in collaboration with the general assembly of the Ministers and High Authorities of Housing and Urban Development of Latin America and the Caribbean and the Economic Commission for Latin America and the Caribbean (ECLAC) to produce a report on measuring the housing deficit in the region. The final report was presented at the twenty-third meeting of the Ministers and High Authorities of Housing and Urban Development of Latin America and the Caribbean, held in Mexico City in August 2014. UN-Habitat continued to support the General and Technical Secretariat of the Ministers and High Authorities of

Housing and Urban Development of Latin America and the Caribbean in developing its technical agenda.

B. Cooperation with regional financial institutions

35. UN-Habitat signed a cooperation agreement with the African Development Bank in September 2014 to implement joint activities in the field of housing.

36. The Development Bank of Latin America is part of a coalition supporting the UN-Habitat City Prosperity Initiative in 17 Colombian cities and is the main supporter of the Initiative in five cities in Brazil, Ecuador, Panama and Peru. The National Workers Housing Fund Institute of Mexico also provided critical support, along with the Government of Mexico, for the City Prosperity Initiative in 130 cities.

37. UN-Habitat also worked with the Inter-American Development Bank through the Cities Climate Finance Leadership Alliance. The Bank was represented at the seventh session of the World Urban Forum and at a meeting of the Advisory Committee of the UN-Habitat Cities and Climate Change Initiative.

IV. Thematic activities at the national and subnational levels

38. During the reporting period, UN-Habitat cooperated with United Nations system organizations and other partners in implementing activities, including operational projects, at the national and subnational levels in the following thematic areas: urban legislation, land and governance; urban planning and design; urban economy and municipal finance; urban basic services; housing and slum upgrading; risk reduction and rehabilitation; research and capacity development; and gender mainstreaming and the empowerment of women.

A. Urban legislation, land and governance

39. FAO and UN-Habitat worked together in the implementation of the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests, in the Context of National Food Security, endorsed by the Committee on Food Security in 2012. The joint development of an urban application of the Guidelines is also taking place, as is the mainstreaming of the Guidelines in the work of the UN-Habitat Global Land Tool Network and FAO programming at all levels. The two organizations also collaborated on analysing the interrelation between tenure security and food security, so as to tighten the delivery on food security of the land tools developed by UN-Habitat through its Global Land Tool Network.

40. UN-Habitat and UN-Women collaborated on a joint tenure security initiative that defines which tenure options within the continuum of land rights work best for different socioeconomic categories of women. UNOPS also continued to provide key support to UN-Habitat on the Global Land Tool Network programme.

41. UN-Habitat continued to work in close collaboration with the Permanent Forum on Indigenous Issues. A member of the Permanent Forum participated in the

round table on indigenous issues in cities at the seventh session of the World Urban Forum, in April 2014, and UN-Habitat participated in the high-level plenary meeting of the General Assembly known as the World Conference on Indigenous Peoples in September 2014.

42. UN-Habitat worked with IFAD on strengthening land and natural resource tenure security in Eastern and Southern Africa. This was based on a three-year agreement signed by UN-Habitat and IFAD in 2013 in order to develop and integrate pro-poor tools and approaches for securing land and natural resource rights in the Fund's natural resources management programmes. The two agencies are also collaborating in the joint implementation of tenure security projects in Ethiopia, Kenya, Malawi, Mozambique and Uganda.

43. The Economic Commission for Africa (ECA) re-established an Urban Section in an effort to strengthen its work on urbanization as a key factor in the structural transformation of Africa. Within the framework of the memorandum of understanding between UN-Habitat and ECA signed in 2012, UN-Habitat continued to support the consortium for the Land Policy Initiative, which is also supported by the African Development Bank and the African Union Commission. UN-Habitat is part of the steering committee of the Initiative and has led the component on capacity development in land governance, with the aim of supporting member States in implementing the Declaration on Land Issues and Challenges in Africa, signed by Heads of State and Government of the African Union in 2009.

44. The Economic and Social Commission for Asia and the Pacific (ESCAP) and UN-Habitat launched a land tenure initiative for the Asia-Pacific region. The two organizations also held a multi-stakeholder consultation, in partnership with FAO and the International Federation of Surveyors. Additionally, UN-Habitat, with the support of ESCAP, will build the capacity of Habitat Agenda partners to engage in policy dialogues and programmes in the Asia-Pacific region within the context of global milestones.

45. Joint work included the provision of technical and financial support to the secretariat of the Land Policy Initiative in the preparation and implementation of the inaugural Conference on Land Policy held in Addis Ababa in November 2014. The UN-Habitat Deputy Executive Director attended the opening session of the Conference, where she highlighted the role of land in Africa's transformation and what the UN-Habitat/Global Land Tool Network- Land Policy Initiative partnership can do to realize that goal.

46. The Commission on Crime Prevention and Criminal Justice, at its twenty-second session, and the Governing Council of UN-Habitat, at its twenty-fourth session, adopted complementary resolutions on action for the creation of safer cities, in particular the strengthening of guidelines for the implementation of crime prevention programmes at the local level and the development of United Nations system-wide guidelines on safer cities. In addition, joint project documents on urban safety monitoring for Africa and Latin America for 2016 and 2017 have been developed. An additional joint programme document on safer cities as a way of supporting Member States and implementing the post-2015 development agenda is under preparation in cooperation with the World Bank.

47. UN-Habitat worked with the Rule of Law Coordination and Resource Group of the Secretariat to explore how to promote the integration of human rights and the

rule of law as a cross-cutting issue in all organizations and how to promote system-wide cooperation on rule of law and human rights issues, including cross-posting of staff. They also explored common resource and administrative approaches.

48. UN-Habitat is a member of the World Bank Group's advisory committee on the Land Governance Assessment Framework, and the two organizations continued to collaborate in the implementation of the Framework at the country level.

49. The UN-Habitat Global Land Tool Network also worked with the World Bank, UNDP and the Land Policy Initiative on the Global Land Indicators Initiative, which developed global land indicators to harmonize monitoring efforts in the area of land tenure security and land governance. The Initiative's indicators were used for advocacy in the sustainable development goals process by a civil society coalition of 25 organizations under the auspices of Oxfam and the Sustainable Development Solutions Network. A technical and political consensus was reached around the global land indicators development process, with new major institutions such as the Land Policy Initiative, UNDP and the University of Greenwich, United Kingdom, joining the initiative.

50. UN-Habitat reviewed the United Nations system land and conflict agenda with the Department of Political Affairs and the Department of Peacekeeping Operations of the Secretariat, the Office of the United Nations High Commissioner for Refugees (UNHCR) and UNEP, in preparation for the development of a United Nations guidance note on land and conflict that could ensure a more relevant and fit-for-purpose approach to land-in-conflict contexts.

51. UN-Habitat also worked with the Special Rapporteur on adequate housing as a component of the right to an adequate standard of living, and on the right to non-discrimination in this context and UNHCR on the right to adequate housing and land tenure programme. The fruits of this collaboration were formally acknowledged by the Human Rights Council, which encouraged States to take these guidelines into account when planning and implementing measures to improve the security of tenure for the urban poor (see Human Rights Council resolution 25/17).

52. UN-Habitat worked with the Committee of Experts on Global Geospatial Information Management to develop a fit-for-purpose land administration approach, which found a place in the Beijing Declaration on Sustainable Development with Geospatial Information adopted at the third High-Level Forum on United Nations Global Geospatial Information Management, held in Beijing in October 2014.

53. UN-Habitat co-led the "Consultations on localizing the sustainable development goals" together with UNDP, on behalf of the United Nations Development Group, and with the Global Task Force of Local and Regional Governments for the Post-2015 Development Agenda towards Habitat III. The Governments of Ecuador, Ghana and Italy co-hosted a process that involved 13 national consultations, 6 regional dialogues and 4 global dialogues, as well as an e-discussion. The key role of local and regional governments in development was underlined throughout the process, which resulted in a strategic global coalition of partners, including national and local governments, civil society groups and United Nations agencies committed to working together in localizing the post-2015 development agenda.

B. Urban planning and design

54. UN-Habitat continued to be involved at the senior level in the activities of the Environment Management Group and at the technical level in the activities of its Issues Management Groups on Biodiversity and on Green Economy. A system-wide strategy on environment, progress on United Nations agency-wide reduction of carbon emissions and the need to reassess the objectives of the Environment Management Group after the adoption of the post-2015 development agenda were discussed at the meeting of the Group in September 2014.

55. Since mid-2014, UN-Habitat has been strengthening its collaboration with the Economic and Social Commission for Western Asia (ESCWA). UN-Habitat participated in the twenty-eighth ESCWA ministerial session, held in Tunis in September 2014, and the expert group meeting on inclusive social development in the Arab region held in Beirut in November 2014, which provided insight into the role of cities in promoting social and spatial inclusion. In addition, UN-Habitat contributed to the chapter on urban sustainability for an ESCWA report on sustainable development in the Arab region. ESCWA will be involved in the last phase of the elaboration of the Arab strategy for housing and sustainable urban development developed by UN-Habitat and will also lead the regional preparations for Habitat III.

56. In March 2013, the Executive Directors of UNEP and UN-Habitat reviewed the collaboration between the two organizations and explored how to strengthen future partnership and the joint delivery of programmes. Based on that review, the Greener Cities Partnership was launched at the seventh session of the World Urban Forum, in April 2014, with three selected priorities: (a) resilient, resource-efficient cities; (b) sustainable transport and mobility; and (c) waste and waste water management.

57. On resilient, resource-efficient cities, the first priority area, UN-Habitat and UNEP are addressing three sub-areas: city-level ecosystem-based adaptation, integrated resource flows and reduction of urban sprawl. On sustainable transport and mobility, UN-Habitat is guiding the work on urban planning to help cities to avoid unsustainable patterns of transport. The two agencies, together with the World Bank, also facilitated the formation of the secretariat of the Africa Sustainable Transport Forum, with the first expert and ministerial conferences being held in Nairobi in October 2014.

58. During 2014, UN-Habitat supported the Executive Office of the Secretary-General in developing several multi-stakeholder “city” initiatives in the lead-up to the Climate Summit, held in New York on 23 September 2014. The Secretary-General had requested the Executive Director of UN-Habitat to lead the “cities” work stream leading up to the Summit. The Special Envoy of the Secretary-General for Cities and Climate Change, Michael R. Bloomberg, co-led this work stream.

59. The objective of this effort was to help to shape a set of multi-party initiatives to support action on climate change in urban areas. The four collaborative “city” initiatives launched at that time, whose members included UN-Habitat, were: (a) Compact of Mayors (with the World Bank); (b) Cities Climate Finance Leadership Alliance (with the World Bank and GEF); (c) Urban Electric Mobility Initiative (with the International Finance Corporation); and (d) the Resilient Cities Acceleration Initiative (with the secretariat of the International Strategy for Disaster Reduction and the World Bank).

60. UN-Habitat advised on several climate change initiatives led by other organizations. Along with the World Bank and UNEP, UN-Habitat serves on the Advisory Committee of the Global Protocol for Community-scale Greenhouse Gas Emission Inventories. Additionally, UN-Habitat, along with other United Nations agencies, participated in consultative meetings with GEF on its sustainable cities integrated approach pilot in August 2014 and with the World Bank on its city climate planner certification programme in March 2015. Along with UNEP, UN-Habitat provided advice to the Urban Climate Change Research Network in September 2014.

61. The external Advisory Committee of the UN-Habitat Cities and Climate Change Initiative convened two times during the period: in April 2014 (in Medellín, Colombia) and in March 2015 (in Oslo). Among others, representatives of the World Bank, UNEP, GEF, and the Cities Alliance participated in one or both meetings.

62. The United Nations Centre for Regional Development and the United Nations Institute for Training and Research (UNITAR) contributed to the drafting of the UN-Habitat-led international guidelines on urban and territorial planning. The guidelines constitute the global framework for improving policies, plans, designs and implementation processes for more compact, socially inclusive, better integrated and connected cities and territories that foster sustainable urban development.

63. In Myanmar, UN-Habitat and UNEP are currently jointly implementing the Myanmar Climate Change Alliance programme, funded by the European Union, under its Global Climate Change Alliance programme umbrella.

64. UN-Habitat and UNESCO are developing a joint programme on urban heritage preservation and regeneration of historic neighbourhoods, which includes public spaces, embracing a social and human approach to sustainable revitalization and preserving cultural heritage and cultural identity.

C. Urban economy and municipal finance

65. During the reporting period, UN-Habitat, the Development Bank of Latin America and ESCAP engaged with cities and national Governments to enhance research and capacity on the urban economy. Six city case studies, drawn from Nairobi and Cape Town in Africa, Dili and Ho Chi Minh City, Viet Nam, in Asia, and Quito and Lima in Latin America, have contributed to improved awareness of spatial and structural economic transformation of urban economies.

66. UN-Habitat supported the Office of the Secretary-General's Envoy on Youth substantially and politically. In September 2014, UN-Habitat initiated and supported the Envoy's mission to Mogadishu, where he contributed significantly to raising awareness of the critical situation facing young people in the country. A donor meeting was organized under the auspices of the United Nations Resident and Humanitarian Coordinator for Somalia to strengthen the international community's commitment to youth programming in Somalia.

67. The Envoy on Youth also participated in UN-Habitat-organized side events at the fifty-eighth session of the Commission on the Status of Women, held in New York in March 2014, and in the side event "Harnessing the potential of urban public space for women and youth" during the first session of the Preparatory

Committee for the United Nations Conference on Housing and Sustainable Urban Development (Habitat III), held in New York in September 2014.

68. UN-Habitat further contributed to organizing the first Global Forum on Youth Policies convened by the Office of the Envoy on Youth in partnership with the Government of Azerbaijan and other United Nations agencies in October 2014, during which UN-Habitat organized the substantive sessions on sustainable urbanization and youth and post-conflict situations.

69. In Somalia, the capacity of local governments in municipal finance was strengthened under the United Nations Joint Programme on Local Governance and Decentralized Service Delivery, with technical assistance from UN-Habitat. This is manifested in increased municipal revenue generation for local governments in seven districts (Hargeysa, Borama, Berbera, Gabiley, Sheikh, Odweine and Buroa) in Somaliland and six districts (Garowe, Qardho, Boosaaso, Bander Beyla, Eyl and Jariiban) in Puntland.

70. In addition, a geographic information system (GIS)-based building and property database was developed and updated. The 13 districts in Somaliland and Puntland have increased building and property taxation revenue, accounting for 15 to 25 per cent of total revenue generated in each district, with a collection rate of 50 to 85 per cent.

D. Urban basic services

71. During the reporting period, UNAIDS and UN-Habitat published a report on HIV in cities. The purpose of the report was to provide an overview of the HIV epidemic in urban areas in developing countries, focusing on intra-urban differences, and to introduce a programmatic framework for action by cities. In December 2014, French mayors and representatives of UNAIDS and UN-Habitat, among others, attended a meeting at which they signed the Paris Declaration: Fast-track cities: ending the AIDS epidemic: cities achieving 90-90-90 targets by 2020.

72. The collaboration of UN-Habitat with the Department of Economic and Social Affairs and other partners, including UNIDO, led to the development of the Urban Electric Mobility Vehicles Initiative, which was launched at the Climate Summit on 22 September 2014. The initiative is aimed at reducing greenhouse gas emissions by encouraging the widespread adoption of electric mobility in cities, such that by 2030, electric light-duty vehicles will account for 30 per cent of vehicle sales. UN-Habitat is also working with other agencies, including United Nations agencies, as a member of the technical working group established to support the Secretary-General's High-level Advisory Group on Sustainable Transport.

73. UN-Habitat is currently supporting the implementation of two projects funded by GEF in Ethiopia, Kenya and Uganda, and in the East African countries, where UNEP is acting as the GEF agency and UN-Habitat is an executing partner. The first project focuses on sustainable urban transport systems in Ethiopia, Kenya and Uganda and the second project is on the promotion of energy efficiency in buildings in East Africa. The objective is to mainstream energy efficiency measures in building policies, housing finance and building practices.

74. In May 2014, UN-Habitat participated in the first annual Sustainable Energy for All Forum with a side event on sustainable energy use in cities. This event was

jointly organized by UN-Habitat, UNEP and UN-Energy. UN-Habitat has also contributed significantly to the discussion on post-2015 sustainable development goals by providing inputs to the proposed goal on energy, under the umbrella of the UN-Energy family.

75. UN-Habitat continued to participate in the activities of UN-Water and has played a key role in the task force on wastewater management. UN-Habitat also contributed to the UN-Water position paper on the theme "A post-2015 global goal for water: synthesis of key findings and recommendations from UN-Water", the UN-Water analytical brief on wastewater management, published in February 2015 and the *United Nations World Water Development Report 2015: Water for a Sustainable World*, which was launched in March 2015. Within the UN-Water framework, UN-Habitat is also working with UNEP, the World Health Organization (WHO) and other United Nations agencies to establish an integrated monitoring mechanism for water and sanitation-related sustainable development goal targets.

76. UN-Habitat and UNEP are also co-chairs of the Steering Committee of the Global Wastewater Initiative. A unified post-2015 monitoring framework is being developed with support from the Swiss Agency for Development and Cooperation.

E. Housing and slum upgrading

77. During the reporting period, UN-Habitat established a partnership with UNFPA in the area of slum upgrading and maternal health. The focus is on working collaboratively in community projects that contain components of health, human rights, gender equality and youth development issues. It is aimed at examining how slum upgrading affects the improvement of maternal health and at jointly developing targeted action to complement the improvement of living conditions in slums, with a particular focus on young mothers. Four pilot countries have been selected, namely, Kenya, Myanmar, Nigeria and Sri Lanka.

78. In the framework of the participatory slum upgrading programme implemented in 35 countries in Africa, the Caribbean and the Pacific, UN-Habitat is continuing to mainstream programme principles and priorities in the work of the United Nations country teams. Twenty-five countries already reflect the programme in their United Nations Development Assistance Frameworks. For example, in Togo and Lesotho, there is close collaboration with UNDP in which UNDP is financing an additional pro-poor housing study. In Côte d'Ivoire, the participatory slum upgrading programme was incorporated into the urban development programme, and UNDP and UN-Habitat are sharing methodologies for inclusive urban development through participatory slum upgrading.

79. In the Asia-Pacific region, UN-Habitat continued supporting UNICEF in slum upgrading actions in Karachi under the UNICEF polio eradication programme in Pakistan, which is part of the Global Polio Eradication Initiative. In future, participatory urban slum upgrading, focusing on reduction of the prevalence of polio, will extend beyond Karachi to other cities in Sindh Province.

80. UN-Habitat and ECLAC collaborated on a report on measuring housing deficits in the Latin America and Caribbean region. Key findings and case studies were presented at the seventh session of the World Urban Forum, held in Medellín, Colombia, in April 2014.

81. Throughout 2014, UN-Habitat further supported the Government of Bangladesh, in collaboration with UNDP, through the Urban Partnerships for Poverty Reduction programme, launched as far back as 2008. Focusing on the facilitation of good local governance through community participation, in 2014, UN-Habitat expanded its technical support to the Ministry of Local Government, Rural Development and Cooperatives and UNDP to engage 24 city corporations and municipalities and some 5,330 community groups in urban informal settlements, reaching 388,900 households, the majority of which are headed by women. The expanded assistance has focused on, among other things, strengthening the capacity of local governments to connect with community groups to negotiate secure tenure and land readjustment. To explore new approaches for government-led and community-driven slum upgrading cooperation, initiatives focused on bringing existing communities living in a variety of informal urban and peri-urban settlements into mainstream urban planning, budgeting and local development.

82. ECLAC contributed to the workplan for the formulation of the national policy for the system of cities and to the strengthening of the Association of Colombian Capital Cities. ECLAC and the Economic Commission for Europe (ECE) collaborated with UN-Habitat in the roll-out of the Global Housing Strategy. UN-Habitat and ECE further collaborated on the Geneva United Nations Charter on Sustainable Housing.

83. The Special Rapporteur on adequate housing as a component of the right to an adequate standard of living, and the right to non-discrimination in this context collaborated with UN-Habitat on promoting the responsibilities of Governments with respect to the right to adequate housing. Specifically, UN-Habitat provided inputs to a report of the Special Rapporteur on security of tenure, including for the urban poor (A/HR/22/46A/HRC/22/46). UN-Habitat also provided input to the handbook entitled *Realising the Human Rights to Water and Sanitation: A Handbook* by the Special Rapporteur on the human right to safe drinking water and sanitation.

84. UN-Habitat strengthened its collaboration with OHCHR. The two agencies expanded joint work under the auspices of the United Nations Housing Rights Programme to include OHCHR support to the institutional mainstreaming of the human rights-based approach to sustainable urban development. The two organizations jointly published Fact Sheet No. 25/Rev.1 entitled *Forced Evictions*, produced a video clip in 2014 on forced evictions, and issued and widely disseminated a report entitled *Losing Your Home: Assessing the Impact of Eviction*.

85. UN-Habitat and UNEP continued to collaborate in the area of green buildings for sustainable housing. The two organizations have been working on a joint publication on green buildings in social housing that will be released within the framework of the UN-Habitat Global Network for Sustainable Housing. The two programmes are also contributing to the sustainable buildings and construction programme of the 10-year framework of programmes on sustainable consumption and production patterns and the Global Housing Strategy.

86. In particular, UN-Habitat participated in the UNEP-Sustainable Buildings and Climate Initiative task force on greening the building sector supply chain and served on the Sustainable Social Housing Initiative project steering committee for the pilot projects in Bangladesh and India.

87. UNDP contributed to the UN-Habitat-led formulation of national housing strategies in Guyana and Lesotho. UN-Habitat also recently commenced active engagement in the Inter-Agency Support Group on the Convention on the Rights of Persons with Disabilities.

F. Risk reduction and rehabilitation

88. UN-Habitat provides support to member States and local government partners under the umbrella of its 2008 Strategic Policy on Human Settlements and Crisis. This policy framework bridges the engagement of UN-Habitat in humanitarian as well as transitional and development environments at the global, regional, national and local levels.

89. During the reporting period, UN-Habitat supported humanitarian activities at the level of the Inter-Agency Standing Committee Principals meetings, the Inter-Agency Standing Committee Working Group and the Inter-Agency Standing Committee Emergency Directors Group, responding to emergencies in Malawi, Mozambique, Pakistan, the Philippines, Serbia, South Sudan, the Syrian Arab Republic-Iraq region, Tuvalu and the State of Palestine.

90. UN-Habitat collaborated closely in joint humanitarian and recovery programming and project implementation with UNHCR, UNICEF, UNDP, WHO, UNOPS, the International Organization for Migration (IOM) and others, particularly in response to the Syrian Arab Republic-Iraq regional crisis.

91. UN-Habitat continued to chair the Inter-Agency Standing Committee reference group on meeting humanitarian challenges in urban areas. In partnership with United Nations sister agencies and international non-governmental organizations, it developed a strategy and action plan for new and improved approaches to humanitarian response in urban areas for implementation by all agencies.

92. UN-Habitat participated in the Third United Nations World Conference on Disaster Risk Reduction, held in Sendai, Japan, from 14 to 18 March 2015. It supported member States and the inter-agency secretariat of the International Strategy for Disaster Reduction in shaping the urban risk reduction agenda for the next 15 years.

93. Additionally, in April 2014, UN-Habitat coordinated the formulation of the Medellin Collaboration on Urban Resilience, forging an alliance of nine organizations, implementing programmes and projects worth over \$2 billion in more than 2,000 cities aimed at supporting local authorities' efforts to build cities that are resilient to all possible shocks and stresses. The nine organizations involved are UN-Habitat, the World Bank Group, the Rockefeller Foundation, the inter-agency secretariat of the International Strategy for Disaster Reduction, 100 Resilient Cities — Pioneered by the Rockefeller Foundation, the Inter-American Development Bank, the Global Facility for Disaster Reduction and Recovery, the C40 Cities Climate Leadership Group and Local Governments for Sustainability.

94. UN-Habitat continued to develop tools for measurement and monitoring of the resilience of human settlements and has made considerable progress within its 10 partner cities and in a growing network of associate cities around the world. The 10 partner cities involved are Concepción (Chile), Portmore (Jamaica), Lokoja (Nigeria), Dar es Salaam (United Republic of Tanzania), Barcelona (Spain), Beirut,

Tehran., Balangoda (Sri Lanka), Cagayan de Oro (Philippines) and Wellington (New Zealand). Additionally, a new initiative launched in July 2015 will employ a resilience framework for joint programming with humanitarian and development partners in fragile States.

95. In Africa, UN-Habitat also worked with ECA on the urban risk reduction and resilience-building programme in Portuguese-speaking African countries, which is aimed at increasing the capacities of municipalities to respond to disasters.

96. UN-Habitat seconded senior staff to the United Nations Mission for Ebola Emergency Response (UNMEER) in order to help the Mission understand the urban dimension of the crisis and adjust the response to urban contexts. Staff were seconded to UNMEER headquarters in Accra and Monrovia.

97. In addition, UNICEF supported UN-Habitat in a series of risk reduction projects, including risk reduction and human security projects in Mozambique and Madagascar. In Mozambique, the work involves the revision of building codes and school construction norms and the development of risk reduction school curriculums and post-disaster needs assessment tools.

98. UN-Habitat was formally admitted as an observer in the Council of IOM at its 105th session, held in Geneva from 25 to 28 November 2014. UN-Habitat has also committed to deepening its working relationships with IOM in country-level operations and at the policy level, especially during preparations for the International Dialogue on Migration 2015: Conference on Migrants and Cities, to be held in Geneva in October 2015 and for Habitat III. Ongoing joint projects at the country level in Haiti, Iraq, Mozambique, Myanmar, Nepal, Pakistan and the Philippines include work on reducing disaster risk, advisory work on resilient architecture and work on land issues and shelter reconstruction.

G. Research and capacity development

99. UN-Habitat worked closely with ECA and the African Union Specialized Technical Committee on Public Service, Local Government, Urban Development and Decentralization on the implementation of the African Urban Agenda, including the preparation of national Habitat III reports, capacity-building for Habitat Agenda partners at the subregional level, policy dialogues and applied research in support of the preparation and adoption of the Africa regional Habitat III report and position.

100. It is expected that this partnership will raise the profile of urbanization and strengthen partnerships between State and non-State actors towards the adoption of a "New Urban Agenda", the envisaged outcome document of Habitat III.

101. UN-Habitat contributed technical and capacity development assistance in the field of sustainable urban development to UNESCO for the United Nations Decade of Education for Sustainable Development and the UNESCO Global Learning Cities Index. UNESCO also continued to contribute to the UN-Habitat-led Global Water Operators' Partnerships Alliance.

H. Gender mainstreaming and the empowerment of women

102. During the reporting period, UN-Habitat, UN-Women and UNICEF continued to implement a five-year joint initiative on the theme "Safe and friendly cities for all", launched on 22 June 2011, to support urban safety in public spaces in eight cities: greater Beirut, Dushanbe, metropolitan Manila, Marrakech (Morocco), Nairobi, Rio de Janeiro (Brazil), San Jose and Tegucigalpa. The initiative draws on the use of innovative, gender-sensitive and evidence-based approaches. It enables local authorities and women's, youth and children's advocates to take action to increase safety and prevent and reduce violence, including sexual violence and harassment of women and girls.

103. Partnerships with United Nations organizations, particularly UN-Women, and civil society organizations were further developed through capacity-building workshops and international platforms such as the World Urban Forum, the Commission on the Status of Women, the Economic and Social Council integration segment and the first session of the Preparatory Committee for the United Nations Conference on Housing and Sustainable Urban Development (Habitat III). At the seventh session of the World Urban Forum, the Gender Equality Action Assembly and the gender and women round table provided platforms for deliberations on the New Urban Agenda and on gender and urbanization. Side events organized by UN-Habitat and UN-Women at the Economic and Social Council integration segment and at the first session of the Preparatory Committee for the United Nations Conference on Housing and Sustainable Urban Development (Habitat III) in September 2014 focused on public space and women, girls and youth. All advocacy events highlighted the benefits of gender equality perspectives in sustainable urbanization.

104. UN-Habitat and UNEP collaborated to ensure the inclusion of urbanization in the first-ever UNEP Global Gender and Environment Outlook, which is expected to be launched in June 2016. In addition, UN-Habitat nominated a staff member to add a chapter on sustainable urbanization to the document. It is expected that the inclusion of the chapter on sustainable urbanization and the related gender issues will further enhance the mainstreaming of gender equality and the empowerment of women in the discussion on gender and the environment.

V. Recommendations

105. In the light of the issues discussed above, Member States are called upon:

(a) To continue to give appropriate consideration to the role of urbanization in sustainable development in their discussions on the post-2015 development agenda and sustainable development goals;

(b) To adopt integrated approaches that engage all key stakeholders and levels of subnational government in order to produce innovative solutions to foster economic, environmental and social sustainability;

(c) To ensure the alignment of ideas on cities and human settlements across the current consultations on major global issues, including on the post-2015 development agenda and sustainable development goals, climate change and Habitat III;

(d) To establish or strengthen national urban policies in order to provide for the coordinated development of urban settlements of all sizes and to fully harness the potential contribution of urbanization to sustainable development;

(e) To make use of the international guidelines on urban and territorial planning approved by the UN-Habitat Governing Council in April 2015 as a framework for improving policies, plans, designs and implementation processes for more compact, better integrated and connected urban settlements that foster sustainability and resilience, including through effective climate change mitigation and adaptation measures.

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Agenda item 5

High-level segment**World economic situation and prospects as of mid-2015****Summary*

The world economy continues to grow at a modest pace. Growth of world gross domestic product is projected at 2.8 per cent in 2015, accelerating to 3.1 per cent in 2016. The growth divergence among various regions is widening in 2015, owing to differing impacts of the recent decline in the prices of oil and other commodities, as well as country-specific factors. The short-term growth prospects of heavily commodity-dependent countries have worsened considerably. By contrast, commodity importers are benefiting from the lower prices in the form of reduced inflationary, fiscal and balance-of-payment pressures. While the recovery in developed economies is improving, many countries still face considerable challenges owing to the legacy of the global financial crisis. The overall subdued performance of the world economy in recent years has raised concerns of a "new normal" of lower growth. The broad-based weakness in investment worldwide not only holds back current growth, but also reduces potential growth in the future.

The major downside risks to the baseline outlook are related to the impact of the upcoming monetary policy normalization in the United States of America, ongoing uncertainties in the eurozone, potential spillovers from geopolitical conflicts and persistent vulnerabilities in emerging economies. To mitigate these risks and ensure a return to strong, sustainable and balanced growth, a broad set of policy measures at the domestic, regional and global levels is needed. The present report identifies key challenges in the areas of monetary, fiscal, labour market and trade policies, underlining the need for strengthened international policy coordination. Such coordination becomes ever more critical as the States Members of the United Nations are expected to adopt a new financing framework for sustainable development and an ambitious post-2015 sustainable development agenda.

* The present document updates *World Economic Situation and Prospects 2015* (United Nations publication, Sales No. E.15.H.C.2), released in January 2015.



I. Global macroeconomic trends

Global growth prospects

1. The world economy continues to grow at a modest pace. Growth of world gross domestic product (GDP) is projected to rise slightly from 2.6 per cent in 2014 to 2.8 per cent in 2015, a downward revision by 0.3 percentage points of the forecast presented in *World Economic Situation and Prospects 2015* in January. In 2016, global growth is forecast to improve to 3.1 per cent. There are still considerable downside risks to the baseline forecast related to the upcoming move towards monetary policy normalization in the United States of America, ongoing uncertainties in the eurozone, potential spillovers from geopolitical conflicts and persistent vulnerabilities in emerging economies. The overall subdued performance of the world economy since the global financial crisis has raised concerns of a "new normal" of lower growth, especially in view of a broad-based weakness in investment.

2. The downward revision in global growth for 2015 reflects mainly a deteriorating outlook in the economies in transition and several large developing countries, especially in South America. GDP in the economies in transition is projected to contract by 2 per cent in 2015, while average growth in developing countries is expected to remain at 4.4 per cent, approximately 3 percentage points below the pre-crisis pace. The growth divergence between the various regions is widening in 2015. This can be attributed in part to the differing impacts from the recent drop in the prices of oil and other commodities.

3. For heavily commodity-dependent economies, the short-term growth prospects have worsened considerably. In some cases, this has been amplified by large capital outflows and by persistent domestic weaknesses, including macroeconomic imbalances, social and political unrest, and inefficient economic management. On the other hand, large commodity importers have benefited from lower prices in the form of reduced inflationary, fiscal and balance-of-payment pressures, improving the short-term growth outlook for many of these countries. As some of the current headwinds start to recede, growth in developing countries and economies in transition is projected to gain some strength in 2016.

4. The prospects for developed economies in 2015 had been slightly upgraded from earlier forecasts, with average growth projected to rise from 1.6 per cent in 2014 to 2.2 per cent in 2015. Almost all major developed economies were expected to see the growth momentum picking up. The upward revision reflects a moderately improved outlook for the eurozone owing to a number of factors, including lower energy prices and significant currency depreciation on the back of the new large-scale asset-buying programme of the European Central Bank. Despite expectations of a more robust recovery, developed economies continue to face considerable challenges as a result of the legacy of the global financial crisis, including subdued employment levels, elevated private and public sector debt, and financial sector fragilities.

Growth of world output, 2013-2016

(Annual percentage change)

	2013	2014 ^a	2015 ^b	2016 ^b	Change from January 2015 forecast	
					2015	2016
World	2.5	2.6	2.8	3.1	-0.3	-0.2
Developed economies	1.2	1.6	2.2	2.2	0.1	-0.1
United States of America	2.2	2.4	2.8	2.7	0.0	-0.4
Japan	1.6	0.0	1.2	1.0	0.0	-0.1
European Union	0.0	1.3	1.9	2.1	0.2	0.1
15 European Union Members	-0.1	1.2	1.8	2.0	0.3	0.1
New European Union Members	1.3	2.7	2.8	3.2	-0.1	-0.1
Eurozone	-0.4	0.9	1.6	1.9	0.3	0.2
Other European	1.4	2.1	0.5	1.3	-1.7	-1.0
Other developed countries	2.0	2.6	2.4	2.8	-0.2	0.2
Economies in transition	2.0	0.7	-2.0	0.9	-3.1	-1.2
South-Eastern Europe	2.4	0.1	1.4	2.5	-1.3	-0.5
Commonwealth of Independent States and Georgia	2.0	0.7	-2.1	0.9	-3.2	-1.2
Russian Federation	1.3	0.4	-3.0	0.1	-3.2	-1.1
Developing economies	4.7	4.4	4.4	4.8	-0.4	-0.3
Africa	3.3	3.3	4.0	4.8	-0.6	-0.1
North Africa	1.0	1.0	2.8	4.0	-1.1	-0.3
East Africa	6.5	6.4	6.6	6.7	-0.2	0.1
Central Africa	2.0	4.1	3.4	4.3	-1.3	-0.7
West Africa	5.6	5.8	5.8	6.2	-0.4	0.1
Southern Africa	3.2	2.5	2.9	3.7	-0.7	-0.4
East and South Asia	6.1	6.2	6.2	6.1	0.2	0.1
East Asia	6.4	6.1	6.0	6.0	-0.1	0.0
China	7.7	7.4	7.0	6.8	0.0	0.0
South Asia	4.9	6.3	6.7	6.9	1.3	1.2
India ^c	6.4	7.2	7.6	7.7	1.7	1.4
Western Asia	3.1	3.0	3.0	3.6	-0.7	-0.7
Latin America and the Caribbean	2.7	1.0	0.5	1.7	-1.9	-1.4
South America	2.9	0.6	-0.4	1.1	-2.3	-1.7
Brazil	2.5	0.1	-1.1	0.5	-2.6	-1.9
Mexico and Central America	1.8	2.3	3.0	3.2	-0.5	-0.6
Caribbean	3.0	1.8	3.1	3.7	-0.7	-0.1
Least developed countries	5.3	5.2	4.9	5.6	-0.8	-0.3

					Change from January 2015 forecast	
	2013	2014 ^a	2015 ^b	2016 ^b	2015	2016
<i>Memorandum items</i>						
World trade ^d	3.1	3.2	3.8	4.8	-0.7	-0.1
World output growth with purchasing- power-parity-based weights	3.1	3.2	3.4	3.7	-0.1	-0.1
Africa excluding Libya	4.0	3.8	4.2	4.8	-0.3	0.0
North Africa excluding Libya	2.8	2.6	3.5	4.0	-0.1	0.0

Source: Department of Economic and Social Affairs.

^a Partly estimated.

^b Forecast, based in part on Project LINK.

^c Based on newly-released data.

^d Includes goods and services.

Employment

5. The latest available data confirmed a modest labour market recovery in 2014, driven by improvements in developed economies, which is expected to continue in 2015. Globally, employment was estimated to have grown by 1.4 per cent in 2014, an expansion similar to that in 2013. While this is a modest improvement compared with average growth between 2007 and 2012, it remains persistently below the pace prevailing before the crisis, when employment growth averaged 1.7 per cent annually. Against the backdrop of modest GDP growth, employment creation remains too weak to recover the jobs lost during the crisis and to absorb new market entrants. Unemployment is thus expected to remain elevated in many developed countries, while part-time employment and lower labour force participation will remain major challenges. In the eurozone, average unemployment was projected to decline slowly, from 11.6 per cent in 2014 to 11.1 per cent in 2015 and to 10.5 per cent in 2016. In the United States, the recent positive trend is expected to continue, with unemployment forecast to average 5.1 per cent in 2016, down from 5.5 per cent in March 2015. At the same time, labour market conditions in many developing countries and economies in transition have worsened. With GDP growth slowing, employment growth is declining, while gender gaps are often widening. Unemployment rates are estimated to have increased in most developing regions, with the exception of South Asia. During the forecast period, this adverse trend is expected to persist, given that growth will likely remain subdued in many countries.

Inflation

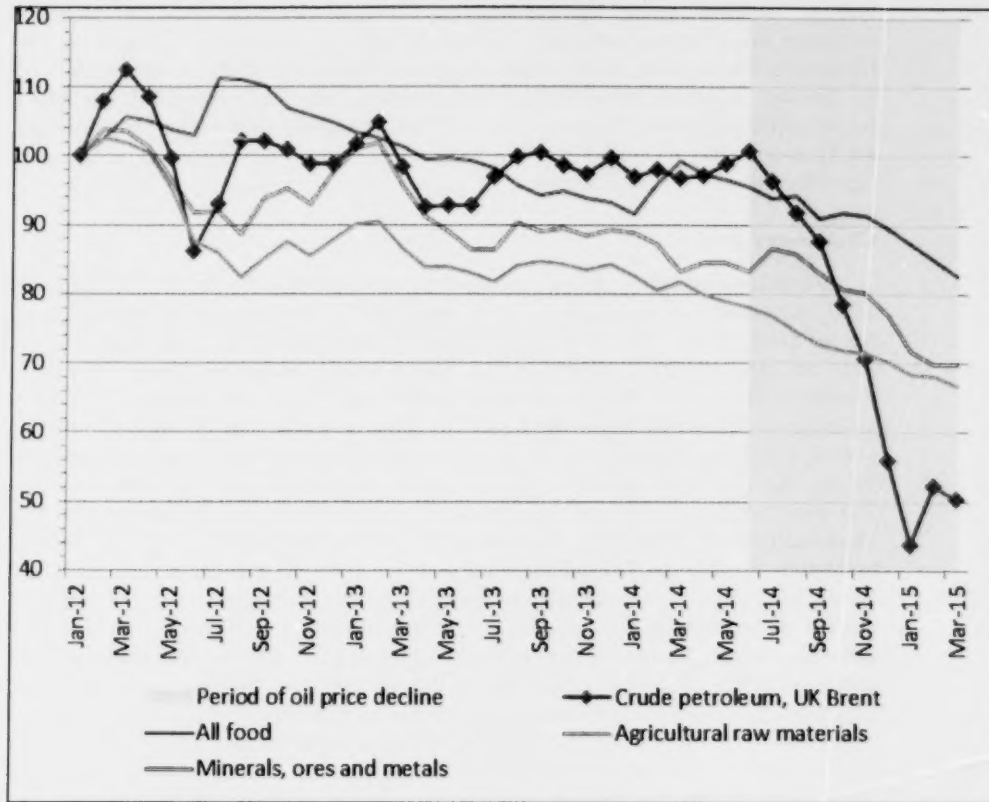
6. Average global inflation continues to decline amid persistent negative output gaps and the drop in oil and food prices. In 2015, global consumer price inflation is expected to average 2.5 per cent, the lowest level since 2009. With oil prices expected to recover slowly and global activity projected to pick up, average inflation is forecast to rise to 3 per cent in 2016. This aggregate picture encompasses a wide range of diverse dynamics. In developed countries, inflation rates and inflation expectations have drifted downward, despite unprecedented expansionary monetary policies. Deflation risks remain in place, particularly in the eurozone and Japan. In developing countries, lower oil prices have generally

reduced inflationary and balance-of-payment pressures, giving central banks more room to tackle slowing growth. The overall impact on inflation differs widely across countries, depending on exchange rate trends, the importance of oil in consumer baskets, monetary policy stances and the extent of fuel subsidies. For example, exchange rate depreciations have fuelled inflation in the Russian Federation and Ukraine, while keeping inflation above trend in Brazil and Chile. Inflation will still be elevated in several developing countries and economies in transition, including, for example, Argentina, Belarus, Ukraine and Venezuela (Bolivarian Republic of), owing to a variety of factors, such as market distortions, supply shortages, currency depreciations and inflation inertia.

Commodity prices

7. Global commodity prices continued to decline in early 2015 (see figure 1) amid sustained oversupply, relatively weak global demand and a strengthening United States dollar. The Brent oil price fell by more than 50 per cent between June 2014 and January 2015, dropping to a five-year low of \$45 per barrel. The price recovered somewhat, fluctuating between \$55 and \$70 from February to April. Volatility will likely remain high during 2015, even as the oil market remains oversupplied. The demand-supply gap is expected to narrow considerably in 2016, easing the downward pressure on oil prices. The price is projected to average \$60 per barrel in 2015 and \$70 in 2016. Upside risks to this outlook include Organization of Petroleum Exporting Countries production cuts or conflict escalation in oil-exporting countries. Downside risks are related to the continued strong growth of North America's shale oil output and a lift of the export ban against the Islamic Republic of Iran. Among non-oil commodities, the group of minerals, ores and metals experienced the sharpest price fall between October 2014 and April 2015, declining on average by 14 per cent. Low oil prices amplified the downward trend of non-oil commodity prices, particularly in the case of food and metals. This reflects in part the fact that energy costs make up a significant portion of production and transportation costs of food and metal. In the forecast period, the downward pressures on non-oil commodity prices will likely persist, although less strongly than in 2014.

Figure I
Price indices of selected commodity groups, January 2012–March 2015
(index: January 2012=100)



Source: United Nations Conference on Trade and Development Statistics.

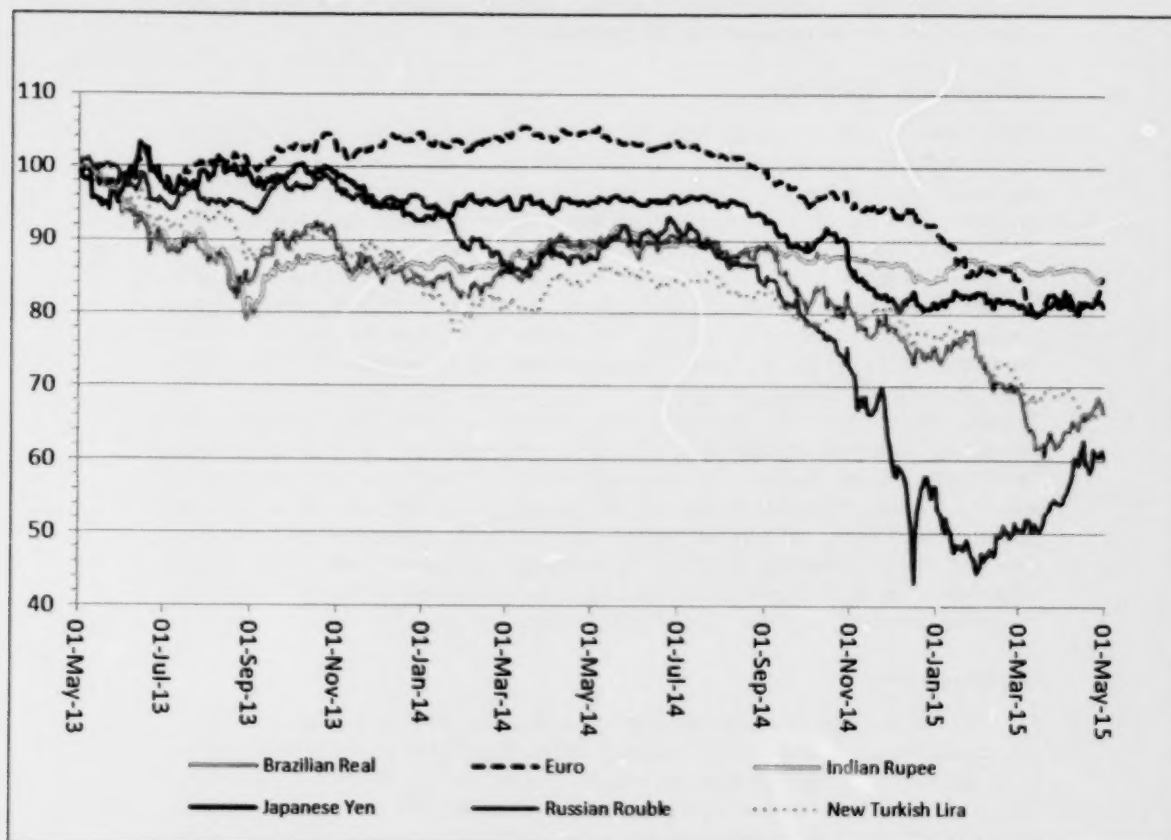
Exchange rates

8. The major trend on global foreign exchange markets has been the strength of the United States dollar. During the first quarter of 2015, the dollar continued to appreciate, reaching multi-year highs against many currencies (see figure II). Since then, it has pulled back somewhat, but has remained relatively strong. The broad-based strength of the dollar has been driven by the relatively positive outlook for the United States economy and expectations of a widening monetary policy divergence between the United States Federal Reserve and other central banks. While the Federal Reserve is expected to start raising interest rates in the second half of 2015, most other central banks are still moving in the opposite direction. The European Central Bank's large-scale bond buying programme, which was launched in early 2015, sent the euro sharply lower. Several large developing countries, most notably Brazil and Turkey, continued to experience strong downward pressure on their currencies as concerns over weak macroeconomic fundamentals, financial vulnerabilities and political woes led to capital outflows. In the forecast period, the dollar is expected to stay relatively strong against most currencies as the growth and monetary policy

divergences remain in place. Given uncertainties over the eurozone outlook, the effects of a rise in interest rates in the United States and the weakness in some emerging economies, foreign exchange volatility will likely remain elevated.

Figure II

Exchange rates of selected currencies vis-à-vis the United States dollar, 1 May 2013-1 May 2015
(index: 1 May 2013=100)



Source: J.P. Morgan Markets.

Note: A rising index indicates an appreciation of the currency against the United States dollar.

International trade flows

9. Global trade is expected to improve moderately, growing somewhat faster than the rate of global output and expanding by 3.8 per cent in 2015 and 4.8 per cent in 2016. Trade growth in early 2015 has been relatively sluggish, but similar patterns have been observed in recent years, with trade rebounding over the rest of the year. Substantial changes in exchange rates are expected to result in some shifts in directions of trade. The broad-based appreciation of the dollar has begun to have some impact on the trade balance of the United States, and this is likely to increase further in the forecast period as trade patterns adjust to relative prices. Recent exchange rate changes are expected to result in some pickup for eurozone exports

and weak import demand in South America. East Asian exports are projected to remain relatively strong. While prospects for global trade are improving, several factors will continue to limit the possibilities for trade to return to higher growth patterns. These include lingering subdued global demand; limited prospects for large increases in trade growth as a result of trade agreements; and perhaps more limited scope for further integration of developing countries into the global trading system. Global services trade will continue to expand at a more rapid rate than merchandise trade, although growth in international tourism is expected to slow slightly in 2015 after expanding by 3.7 per cent in 2014.

International capital flows

10. Recent trends on global financial markets continue to be driven by highly accommodative monetary policies in a low-inflation or deflationary environment in developed economies. As a result, sovereign and corporate bond yields have plummeted to record lows, while stock markets have reached new highs. Cross-border bank lending has also started to recover, but is still below the levels observed before the financial crisis. Capital flows to developing economies and economies in transition have retreated, with persistent volatility. Given a subdued growth outlook for many of these economies and an upcoming move towards monetary policy normalization in the United States, this downward trend is expected to continue in 2015. Significant declines in equity and debt inflows have been recorded in the Russian Federation and Ukraine, owing mainly to geopolitical tensions and worsening economic conditions, but also in other emerging economies, such as Brazil, Mexico and Turkey. Capital outflows from China have also increased, a trend that could strengthen in the medium term as the country moves to a slower growth path. During the forecast period, the interaction between global monetary conditions and the ongoing fragilities in emerging economies could lead to further capital flow reversals amid rapidly changing investor sentiment. Large commodity exporting countries with open capital markets appear to be particularly vulnerable.

Global imbalances

11. Current account imbalances in major economies narrowed slightly in 2014, continuing the trend of the past few years. The decline in the prices of oil and other commodities contributed to that process, leading to lower deficits in several large commodity importers and smaller surpluses or even deficits in major commodity exporters, notably Saudi Arabia and other Gulf Cooperation Council countries. The strengthening of the United States dollar could, however, presage some widening of global imbalances in the outlook period, albeit not to the levels seen during the period 2006-2008. The United States remains, by far, the world's largest deficit country. In 2014, its current account deficit reached \$410 billion, accounting for 2.4 per cent of GDP, the same ratio as in 2013. Among the major surplus countries, China's current account surplus remained steady at about 2 per cent of GDP in 2014, while Germany's surplus continued to rise, equalling 7.4 per cent of GDP. This helped push the eurozone's combined surplus to a new record, a trend that could be reinforced by the weakening of the euro. The large and growing surpluses of some euro member countries reflect various factors, including sluggish investment and reluctance to open up service sectors.

II. Economic outlook by region

Developed economies

12. In the United States, the economic recovery remains on track and the short-term outlook is relatively favourable. Despite strong expansions in the second and third quarters of 2014, growth has slowed noticeably. The weak performance in early 2015 can be attributed to less investment in the energy sector, disturbances in international cargo shipping and bad weather. Growth is expected to pick up over the next quarters and reach 2.8 per cent by the end of the year, before decelerating slightly to 2.7 per cent in 2016. Continuing improvement in the labour market will prompt private consumption to grow at the fastest pace since the recession during the period 2008-2009. Business fixed investment will also expand solidly. However, in addition to subdued demand from trade partners, export growth may be dampened by the significant appreciation of the United States dollar since mid-2014. The Federal Reserve is expected to start raising its policy rate during the second half of 2015, but will follow a cautious approach.

13. Japan's GDP is projected to grow by 1.2 per cent in 2015 and by 1.0 per cent in 2016. In 2014, the Japanese economy suffered from the consumption tax rate hike and fell into recession by midyear. The tepid recovery that started in the fourth quarter helped to lift GDP to the same level as in 2013. In addition to increasing fiscal spending slightly for the current fiscal year, the Government of Japan has decided to postpone a second tax hike from October 2015 to April 2017. However, weak growth in wages and labour income will fail to make up for the higher price level, and private consumption is expected to further recede slightly in 2015 before resuming growth in 2016. Long after the significant depreciation of the Japanese yen started, export volumes began to increase in late 2014 and are expected to provide support for growth. Since October 2014, the Bank of Japan has increased the scale of its asset purchasing programme to 80 trillion yen per year, further strengthening its efforts to bring the inflation rate back to the 2 per cent target.

14. The fragile economic recovery in Western Europe is gradually becoming more broadly based, supported by low oil prices, currency depreciation, expansive monetary stimulus programmes, declining consumer prices and some easing of the pressure for fiscal consolidation. While the economies of the 15 original countries members of the European Union expanded by just 1.2 per cent in 2014, growth strengthened in the second half of the year and is expected to continue to improve in 2015. GDP is expected to grow by 1.8 per cent in 2015 and by 2.0 per cent in 2016. Stronger consumer spending is underpinned by rising real incomes, given the unexpectedly sharp drop in oil and consumer prices. As prolonged deflation could become entrenched in expectations, the European Central Bank announced a significant loosening of its monetary stance in January 2015. Under its expanded asset purchase programme, purchases of public and private sector securities will amount to €60 billion per month, restoring the Bank's balance sheet to 2012 levels by September 2016. The looser stance has been reflected in recent exchange rate and asset price movements, and has boosted confidence. Weaker currencies will support European external competitiveness, with the notable exception of Switzerland, where the decision to abandon the minimum boundary vis-à-vis the euro allowed a steep appreciation of the Swiss franc in January. The improving eurozone outlook relies on a timely agreement between Greece and the Eurogroup of finance ministers over financing arrangements. While there has been a significant

reduction in external exposure to Greek assets and a more general improvement in bank capitalization throughout much of Europe, several countries remain fragile.

15. The aggregate GDP growth of the countries that have joined the European Union since 1 May 2004, which reached 2.7 per cent in 2014, is expected to strengthen further to 2.8 per cent in 2015 and to 3.2 per cent in 2016. The positive impact of reviving private demand and less fiscal drag will be supported by accommodative monetary policies, low energy costs and the pickup in the economies of the European Union's original 15 members. While most economies in the region are expected to expand at about 3 per cent in 2015, Croatia might see near-zero growth. Although foreign-currency-denominated household debt remains a problem in some countries — further aggravated by the appreciation of the Swiss franc in January — continuing real-wage growth is expected to bolster household spending. Investment is expected to remain on an upward trend, and labour markets are improving. Lower energy and food prices resulted in negative annual inflation in several countries in 2014, with positive, but very low, inflation expected for 2015.

16. Growth in Canada is expected to slow from 2.5 per cent in 2014 to 2.1 per cent in 2015, before recovering to 2.6 per cent in 2016. The slowdown reflects mainly reduced investment in the oil sector and falling government revenues amid low oil prices. Higher manufacturing exports, due to stronger growth in the United States and the depreciation of the Canadian dollar, are expected to mitigate the slowdown. In Australia, lower export prices for mineral commodities have reduced fixed investment, but strong private consumption is expected to push the growth rate from 2.7 per cent in 2014 to 2.8 per cent in 2015.

Economies in transition

17. Growth prospects for the Commonwealth of Independent States region in 2015-2016 have been downgraded against the backdrop of low oil prices, military conflict in eastern Ukraine and economic sanctions against the Russian Federation. The aggregate GDP of the Commonwealth of Independent States and Georgia is expected to contract by 2.1 per cent in 2015 and expand modestly by 0.9 per cent in 2016. Although the direct impact of sanctions on the Russian economy has been relatively limited, they have contributed to capital outflows, currency depreciation and weakening business confidence. The Russian economy is expected to shrink by about 3 per cent in 2015 as weak business sentiment and high interest rates deter investment and high inflation weighs on private consumption. Ukraine's economy is expected to contract sharply owing to the conflict in the industrial area of the country, fiscal tightening and a fall in private consumption. Weaker Russian and Ukrainian markets will also constrain growth in Belarus. Lower oil and gas revenues will lead to a growth moderation in energy exporting countries, such as Azerbaijan and Kazakhstan. For lower-income energy importing economies, such as Armenia, Kyrgyzstan, the Republic of Moldova and Tajikistan, the partial loss of the Russian market and the declining value of remittances outweigh the benefits of lower fuel costs, while fewer opportunities for labour migration have increased labour market pressures. Most of the currencies in the Commonwealth of Independent States either were devalued or depreciated significantly in the past year, spurring inflation, in some cases to double-digit levels. Weaker currencies will partly offset fiscal losses in the energy exporting economies of the Commonwealth of Independent States, but many Governments will nonetheless need to draw from their sovereign reserve funds. The weaker currencies will, at the same time,

undermine private consumption and put pressure on the banking systems, constraining credit expansion. The establishment in January 2015 of the Eurasian Economic Union of Armenia, Belarus, Kazakhstan and the Russian Federation, with Kyrgyzstan also set to join, should bolster intraregional economic ties, although many aspects of the integration process still have to be agreed upon.

18. The aggregate GDP of South-Eastern Europe is expected to expand by 1.4 per cent in 2015 and by 2.5 per cent in 2016, following growth of only 0.1 per cent in 2014. Stronger growth rates will, however, be needed to address the region's structural problems, such as high unemployment. In 2014, the region saw divergent economic performances. The Serbian economy, hit by devastating floods and curbed by fiscal retrenchment, contracted by 1.8 per cent. The former Yugoslav Republic of Macedonia, by contrast, registered growth of 3.6 per cent on the back of strong public investment and increased food exports to the Russian Federation. In 2015, the region is expected to benefit from the pickup in the European Union and see moderate strengthening in foreign direct investment. However, the ongoing fiscal austerity in Serbia, linked to the terms of the stand-by agreement of the International Monetary Fund (IMF), will weigh on short-term growth. In the outlook period, domestic demand is expected to become the main growth driver. Record-low inflation, negative in some countries, was observed in 2014, and the low-inflation trend is likely to continue in 2015.

Developing economies

19. Falling commodity prices and declining exchange rates are painting a mixed picture for Africa, with strong divergence between oil exporting and oil importing economies. Average growth is expected to reach 4.0 per cent in 2015 and 4.8 per cent in 2016, which is significantly lower than the previous forecast. Central Africa and North Africa have seen the biggest downward revisions for 2015, with the security situation playing a major role. A large part of the downward revisions for North Africa and for Africa as a whole is due to Libya, which remains mired in a civil war. Growth remains robust in East Africa owing to continued investment and growth in services. South Africa's growth continues to be lacklustre, hampered in part by energy infrastructure constraints. Average inflation in Africa remains on a downward trend, projected to slow to 7.0 per cent in 2015 and to 6.5 per cent in 2016. However, some of the expected decline has been offset by imported inflation owing to currency depreciations. Moreover, dry weather has pushed up food prices in East Africa, although not nearly as much as in 2011. Monetary policies in many countries are expected to remain mostly unchanged as policymakers balance the need to forestall greater declines in exchange rates with the desire to reduce interest rates in the face of lower inflation. In general, fiscal policies will be expansionary, particularly in the many countries that are holding elections over the forecast period. Fiscal deficits are projected to narrow slightly in aggregate, driven by lower commodity prices, although deficits in some oil exporters are projected to rise. Export growth is expected to be mixed depending on countries' trading partners and exchange rate trends, with those trading more with developed countries seeing some improvement, while those with a larger share of trade with emerging market economies seeing some deceleration. Lower commodity prices will narrow oil exporters' current account surpluses and push some into deficit. Risks to the forecast are related to a significant change in oil prices and to further geopolitical instability or further slowdowns in major trading partners.

20. East Asia will remain a key driver of global growth during the forecast period. Economic activity in the region is forecast to grow by 6.0 per cent in both 2015 and 2016, about the same pace as in 2014 and almost unchanged from the previous forecast. China is projected to grow by 7 per cent in 2015 — in line with the Government target — and by 6.8 per cent in 2016. Weaker-than-expected data on key indicators in early 2015 indicate slowing growth momentum in China, which will likely prompt further accommodative fiscal and monetary policy measures. Growth in many East Asian economies is expected to accelerate in 2015 compared with 2014. Papua New Guinea and Thailand are projected to experience the strongest growth improvements. The economy of the former will receive a boost from the first full year of production at its key liquefied natural gas project. In Thailand, improved political stability is expected to boost tourism and government spending. The region's export growth is projected to pick up as stronger demand in developed economies offsets the impact of China's slowing growth. Government spending will increase in most economies, which will help spur investment growth during the forecast period. Average consumer price inflation in 2015 has been revised downward to 1.7 per cent, with an acceleration to 2.4 per cent expected for 2016. Central banks in China, Indonesia, the Republic of Korea and Thailand cut their policy rates in the first quarter of 2015. However, concerns over debt levels, asset bubbles and capital outflows are limiting the willingness of authorities to ease monetary policy further. East Asian currencies showed resilience against the United States dollar in the first quarter of 2015, with several currencies actually gaining ground. This trend also means that most of the region's currencies appreciated in trade-weighted terms, accentuating the trend observed since the global financial crisis and weighing on export growth.

21. South Asia's economic outlook is largely favourable. Most economies are expected to experience a strengthening of growth in 2015 and 2016 on the back of stronger domestic consumption and investment, and a pickup in exports. The region's GDP is projected to grow by 6.7 per cent in 2015 and by 6.9 per cent in 2016, up from an estimated 6.3 per cent in 2014 — a significant upward revision from the previous forecast. This revision reflects mostly a higher growth trajectory in India, where recent changes in methodology and data sources have resulted in considerably higher official growth figures for the past two years. India is now projected to grow by 7.6 per cent in 2015 and by 7.7 per cent in 2016, surpassing the growth of China. The growth prospects for Iran (Islamic Republic of) and Pakistan have also improved moderately, although for both countries significant uncertainties remain. Across South Asia, the expansion is expected to be driven by buoyant household consumption and a gradual recovery in investment. Private sector demand will be underpinned by a more benign macroeconomic environment, including considerably lower inflation. Average inflation in the region is projected to fall to its lowest level in almost a decade, following the recent decline in oil and food prices. As a result, monetary policy has become more expansionary in several countries, notably India and Pakistan. Despite the improved outlook, South Asia's economies face, to varying degrees, long-standing development challenges, including energy shortages, infrastructure deficits and political and social unrest.

22. In Western Asia, lower oil prices are weighing heavily on oil exporting economies, while the more diversified economies are expected to perform better than anticipated. The region is projected to register 3.0 per cent growth in 2015, the same rate as in 2014. In 2016, growth is expected to improve to 3.6 per cent, aided

by rising oil prices and stronger external demand. At the subregional level, the Gulf Cooperation Council member States are expected to experience a modest economic expansion in 2015, given sluggish oil output growth. Economic activity will be supported by large fiscal stimulus programmes, targeting mainly infrastructure projects. As a result, fiscal deficits are expected to widen during the forecast period. Conversely, the more diversified economies are expected to perform better in 2015, benefiting from more competitive exchange rates, lower oil prices and more monetary policy space to stimulate domestic demand. This combination of factors will support growth and help to reduce current account deficits in 2015, particularly in Turkey. There are, however, considerable risks to this forecast. Geopolitical conflicts, in particular the recent conflict in Yemen (see para. 24, below), could escalate, hampering domestic economic activities and regional trade. If oil prices remain at the current low level for longer than forecast, oil-exporting economies will face fiscal pressures, aggravating growth prospects for 2016.

23. The economic prospects in Latin America and the Caribbean have worsened noticeably amid lower commodity prices and persistent domestic fragilities. The region is expected to grow by only 0.5 per cent in 2015 and by 1.7 per cent in 2016, albeit with significant heterogeneity across subregions. Economic growth in Mexico and Central America is expected to strengthen moderately in 2015, benefiting from a pickup in activity in the United States. GDP growth in Mexico is expected to reach 2.8 per cent in 2015. By contrast, South America is slowing down markedly, with continuing declines in investment. The Bolivarian Republic of Venezuela is falling into a deeper recession, while the economies of Argentina and Brazil are expected to contract by 0.4 per cent and 1.1 per cent, respectively, in 2015. Other South American economies, such as Bolivia (Plurinational State of), Paraguay and Peru, will grow more robustly, above 4.0 per cent. Meanwhile, economic growth in the Caribbean is expected to accelerate to 3.1 per cent in 2015. The decline in commodity prices is having widespread effects across the region. South America's commodity exporters, particularly oil exporters, have experienced significant changes in the terms of trade and, consequently, in their external accounts, in addition to weaker investment prospects. At the same time, most economies have cut interest rates or maintained accommodative monetary policies, as lower oil prices have reduced inflationary pressures. An exception is Brazil, where the tightening cycle continues. Consumer price inflation is projected to remain high in Argentina and Venezuela (Bolivarian Republic of). Fiscal balances have deteriorated slightly owing to the economic slowdown, higher expenditures and lower commodity prices, limiting the countercyclical policy space. Currency depreciations should gradually boost exports and help regional economies to adjust to the change in external conditions.

24. The least developed countries are expected to see growth of 4.9 per cent in 2015, a deceleration from 5.2 per cent in 2014 and a marked downward revision by 0.8 percentage point compared with the previous forecast. Growth in some countries, such as Ethiopia, Rwanda and the United Republic of Tanzania, has been robust and sustained owing in part to investments in agriculture and infrastructure, expanding service sectors and rising domestic demand. On the other hand, the fall in the prices of commodities, particularly oil, is putting a dent in the revenues of commodity exporters, leading to lower investment and consumption levels. In several least developed countries, economic development is hindered by unstable security situations, as is the case in South Sudan and Yemen. The latter was off track

with respect to meeting many of the Millennium Development Goals even before the recent conflict escalation, but living conditions now stand to deteriorate even further, with both unemployment and poverty rates already exceeding 40 per cent. The conflict will harm the economy in various ways, aggravating the fiscal deficit and pushing up inflation.

III. Uncertainties and risks

25. The economic prospects for the world economy as outlined above entail significant uncertainties and risks. The individual risks are interconnected and could be mutually reinforcing, potentially leading to a much weaker expansion of the global economy than projected in the baseline. In addition to these short-term factors, there are more medium-term risks. Most important, the broad-based weakness of investment in the context of highly accommodative monetary policies and very low real interest rates has raised concerns over further declines in potential growth.

Normalizing monetary policy in the United States

26. The Federal Reserve is expected to start normalizing policy interest rates, which have been kept near zero for the past seven years as a drastic measure to fight the financial crisis and the sluggishness of the recovery. Significant risks are associated with the uncertainties over the actual path of the normalization and how financial markets and the real economy respond to interest rate hikes.

27. First, the upcoming rise in interest rates will increase financial costs for businesses and households. The higher financial costs could stifle growth in the United States, particularly if interest rates move up faster than anticipated. Second, emerging economies have increasingly issued dollar-denominated debt in the past few years and could face higher financial costs and risks of currency mismatch when the Federal Reserve increases interest rates. Third, in response to higher interest rates in the United States, the repricing and reallocation of financial assets across financial markets worldwide could happen abruptly. Fourth, capital flows to and out of emerging markets could become more unstable, leading to heightened volatility in exchange rates and asset prices. A final risk is that higher interest rates in the United States could lead to higher rates elsewhere, since interest rates in the United States are frequently used as a benchmark for other countries.

Eurozone crisis

28. The debt crisis in Greece continues to cast a shadow over an otherwise improving outlook in much of Europe. An escalation of tensions between the Government of Greece and the European Commission, IMF and the European Central Bank could derail the fragile European recovery, with potentially global repercussions. While the risks of contagion to markets outside of Greece have subsided substantially compared with 2010-2012, uncertainty surrounding the country's continued access to finance and the future solvency of the Government remains unresolved.

29. Government finances in Greece have come under severe stress as negotiations continue between the Government and the eurozone finance ministers over the conditions attached to additional financial assistance from the lenders from the

European Commission, IMF and European Central Bank. Until new disbursements of financial assistance are agreed upon, the Government will have few financing options and limited possibilities to roll over maturing debt, which will force it to rely more heavily on the uncertain and volatile timing of tax receipts in order to remain solvent. Until the solvency issues are resolved, there will remain a possibility that a lack of access to finance could compel a withdrawal from the monetary union. The economic implications of such an unprecedented event are highly uncertain, but there is a risk that this could lead to heightened volatility of the euro and European financial markets, which could spill over to markets outside of Europe.

Geopolitical issues

30. Geopolitical tensions and conflicts constitute a significant risk to the economic outlook. In countries such as Iraq, the Syrian Arab Republic, Ukraine and Yemen, military conflicts have taken a heavy human toll and led to widespread destruction. While the negative economic impact has been limited to the subregional level, the risks lie in possible spillover effects of any regional conflict to the global level. Potential transmission channels include trade, commodity prices and financial asset prices.

31. Geopolitical conflicts, especially in Africa and Western Asia, remain risk factors for the global oil market. Libya and Yemen, for example, where military conflicts have escalated, oil production and exports could be easily disrupted, sending prices higher. In the case of Yemen, however, the main source of risk is the possible closure of the route through the Bab el-Mandeb strait, which is used by tankers to transport crude oil out of the Gulf region. Oil prices could also rebound if the conflict in Yemen widens into a broader regional conflict, as several countries are currently participating in military actions.

32. The situation in Ukraine remains a further risk to the economic outlook. While negotiations have produced some agreement on a ceasefire and a stabilization of the situation, a lasting solution has not yet been reached. Any renewed escalation could further hinder regional economic prospects and might lead to negative spillover effects, in particular for Western Europe, not least through the energy sector and a fall in business confidence.

Vulnerabilities in emerging economies

33. Since mid-2011, emerging economies have experienced a significant and broad-based slowdown, reflecting a combination of cyclical and structural factors. Infrastructure deficits, lack of economic reform implementation, strong reliance on commodity exports and political woes have held back growth, while also magnifying the vulnerability to external shocks. While a widespread emerging market crisis similar to those experienced in the 1990s seems unlikely, several countries could face painful adjustment processes over the coming years and experience longer-than-expected periods of slow growth.

34. At present, the most vulnerable emerging economies are those that are exposed to geopolitical risks or political instability or that are heavily dependent on international commodity exports. If the prices of oil and other commodities remain low over the longer term, commodity-dependent emerging economies, particularly

in Africa, South America, Western Asia and the Commonwealth of Independent States, could face increasing pressures on budgets and external balances.

35. The strong appreciation of the United States dollar has raised concerns over the rapid build-up of dollar-denominated debt in several economies. The bulk of this debt has been issued by private companies. With the dollar appreciating, the debt service obligations in local currency terms have risen notably. This has created challenges for companies, whose revenues are in local currency, increasing the risk of defaults and bankruptcies. These risks are amplified by the upcoming move towards monetary policy normalization in the United States, which could lead to further dollar appreciation, a significant reduction in capital flows to emerging economies and an increase in debt servicing costs. Countries with persistently large current account deficits and substantial external financing needs could be particularly vulnerable to financial turmoil.

IV. Policy challenges

Monetary policy

36. Growing divergence in the monetary policy stances of the United States and much of the rest of the world presents considerable macroeconomic policy challenges for many countries.

37. For the Federal Reserve, the key challenge is to manage the pace and sequence of normalizing the policy rate to maintain macroeconomic stability and support growth and employment, while at the same time preventing an unwarranted build-up in asset prices. For most other developed economies, risk of stagnation — amid prolonged low inflation, sluggish growth, protracted weak aggregate demand and slow-paced structural reforms — continues to warrant proactive monetary policy stances, particularly in the eurozone and Japan. The European Central Bank continues to face the challenge of removing deflationary pressures, improving financial market conditions and easing access to credit for firms, especially small and medium-sized enterprises, and households. The Bank of Japan's quantitative and qualitative easing programme seeks to stimulate consumption and achieve the target of 2 per cent inflation, while offsetting the impact of the rise in sales taxes in 2014.

38. The main monetary policy challenge for many developing economies is to find a balance between easing the policy stance to support growth, stemming currency depreciation and maintaining capital inflows in the face of the upcoming normalization by the Federal Reserve. Monetary policy stances in many developing economies are expected to remain largely accommodative amid low inflation expectations and subdued growth prospects. However, as interest rates begin to rise in the United States, some countries remain vulnerable to sudden stops and capital flow reversals. In several countries, significant exchange rate depreciations have led to a build-up of inflationary pressures. As a result, central banks may come under pressure to raise interest rates in tandem with the United States, leaving limited room for more accommodative policies to support growth.

Fiscal policy

39. Thanks to the historically low interest rate environment, most developed economies do not face significant fiscal risks in the near term. However, public debt levels in many developed economies still remain elevated, averaging 100 per cent of GDP in 2014. Accordingly, reforms of the structure of public expenditure, including the entitlements programmes, are kept on the agenda. Nonetheless, the focus of fiscal policy is slowly shifting from the stabilization of public finances to addressing labour market problems and bolstering potential output. As a result, most developed economies should face less fiscal drag in 2015-2016 than in the past few years. However, fiscal policy remains fairly restrictive in parts of the eurozone, weighing on demand and adding to deflationary pressures.

40. In developing countries and economies in transition, budget deficits and public debt levels are generally lower than in developed economies. The sharp oil price decline has allowed fiscal authorities in several oil importing countries to cut fuel subsidies, improving their budget balances. For oil exporters, however, lower oil prices pose significant challenges. Their fiscal balances will deteriorate in 2015-2016. In some countries, lower revenues will, in the short run, be offset by spending from sovereign wealth funds or other domestic sources rather than borrowing. Persistently low oil prices would, however, eventually compel Governments to enact public expenditure reforms. The vulnerability of commodity-dependent countries once again highlights the need for targeted fiscal spending to support economic diversification.

41. The upcoming rise in interest rates in the United States may lead to higher costs of debt refinancing against the background of changing investor sentiment or further currency depreciations, especially affecting countries with large short-term external debt. This may pose fiscal challenges for some developing economies, particularly those with weakening growth prospects. Nevertheless, countries that have favourable terms of access to financial markets could use the current low interest rate environment for long-term borrowing to invest in infrastructure and human capital.

Labour market policy

42. Despite recent improvements, employment growth remains slow and unemployment rates are still elevated in developed economies as a whole. A significant part of this situation reflects weak aggregate demand. Thus, macroeconomic policies to stimulate aggregate demand, such as targeted infrastructure investments, should be a priority to reduce cyclical unemployment and improve medium-term growth prospects. This would also have positive effects in terms of reducing long-term unemployment and avoiding additional structural unemployment, which remain important features of current labour market conditions. However, these measures need to be complemented by active labour market policies, such as job search assistance and training programmes, which would increase labour force participation and reduce risks of aggravating structural unemployment. At the same time, reforms to reduce labour market segmentation should continue in order to boost formal employment more permanently, including for young people.

43. Weak wage growth is currently a major labour market challenge. In developed economies, wage growth declined rapidly during the crisis and has not recovered,

contributing to a widening gap between growth in real wages and labour productivity, as well as to feeble aggregate demand. Several countries have introduced changes to wage policies to improve workers' prospects and stimulate aggregate demand. In Germany, the recently enacted minimum wage law is expected to raise incomes at the bottom of the pay scale. In the United States, several states have lifted minimum wages in an attempt not only to improve the living standards of low-income workers, but also to increase labour force participation and stimulate private consumption. In developing economies, particularly in Latin America, raising minimum wages and expanding social transfers has been a useful tool to boost demand during the global financial crisis. Nevertheless, setting an adequate minimum wage level is the main challenge in order to ensure its effectiveness in stimulating demand, while avoiding adverse employment effects.

44. Youth unemployment is a major concern across regions. The global youth unemployment rate is estimated at 13 per cent, three times higher than the overall rate, as young people were disproportionately affected by the financial crisis. Unemployment early in life can lead to discouragement and alienation, preventing human capital formation, especially when the absence from labour markets is prolonged. Hence, special attention has to be given to youth unemployment by addressing skills relevance and improving the transition from education to labour markets, as well as by raising education levels and reducing school dropout rates.

Trade policy

45. Trade agreements remain an important policy challenge in many regions, as various issues surrounding the negotiations continue to be politically charged and have raised publicly debated concerns. As tariff rates have come down considerably for a large majority of countries, the current negotiations increasingly centre on non-tariff measures such as domestic subsidies and intellectual property rules. Some progress has been made in the negotiations for the Bali Package of the Doha round of the World Trade Organization (WTO). The members adopted decisions on public stockholding for food security purposes and the Agreement on Trade Facilitation in November 2014. Countries are now in the process of accepting the provisions of the Agreement at the national level, which is expected to conclude before the 10th Ministerial Conference of WTO, to be held in Nairobi in December 2015. Two thirds of the members will need to ratify the Agreement for it to come into force.

46. At the same time, difficulties in concluding a multilateral agreement have driven countries to pursue bilateral and regional trade agreements. Negotiations over large-scale agreements such as the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership continue. Progress has been made, but questions remain surrounding the prospects of a trade promotion authority in the United States, an important step towards more rapid approval of the deals. There are still political concerns about some provisions of the agreements, such as the investor-State dispute settlement provisions that opponents argue will interfere with national policy-setting, as has been the case with some bilateral investment treaties. Furthermore, there are widespread fears that regulatory harmonization could result in lower environmental, health and product regulation standards. Other large-scale agreements, which cover significant portions of world trade, are in the process of being negotiated or finalized. These include the Regional Comprehensive Economic Partnership, covering the majority of trade in Asia and Oceania; economic partnership agreements between the European Union and the five regions of Africa;

and the China-Japan-Korea free trade agreement, among others. There are risks for overlap between the many agreements, pointing to a further need for countries to participate in WTO processes in order to harmonize the multilateral, regional and bilateral trading frameworks.

International policy coordination

47. At the meeting of finance ministers in April 2015, the Group of 20 reaffirmed its commitment to strengthen international policy coordination to manage the spillover effects of domestic policies against the backdrop of diverging monetary policy stances and heightened financial market volatility. With a view to completing the financial reform agenda, countries agreed to finalize the proposed common international standard on total loss-absorbing capacity for global systemically important banks by November 2015, taking into full account the impact on banks in emerging markets. They also agreed to finalize the methodology for identifying systemically important financial institutions outside the banking and insurance sectors by the end of 2015. The Group of 20 also agreed to implement the updated shadow banking road map to improve the oversight and regulation of shadow banking further and strengthen cross-border cooperation for enhanced regulation of over-the-counter derivatives markets.

48. In conjunction with the Group of 20 commitment to push forward the financial reform agenda, the Financial Stability Board recently adopted a workplan to assess financial stability risks associated with market liquidity in fixed-income markets and asset management, identify longer-term structural financial stability issues in these activities and recommend appropriate policy measures at its next meeting, in September 2015. The Board also decided on a workplan to promote clearing through central counterparties to enhance the resilience of financial systems and facilitate the resolution of defaults.

49. Outstanding reforms of the quota and governance system of IMF remain a stumbling block in international policy coordination. IMF has set June 2015 as the new deadline for completing the quota reforms, which were agreed upon during the fourteenth General Review of Quotas, in 2010. The deadline for the fifteenth General Review of Quotas has been pushed to December 2015. Pending implementation of the reforms, the Group of 20 has urged IMF to propose options for meaningful interim steps towards the full implementation of the 2010 reforms.

50. International policy coordination in the areas of monetary policy and financial regulation will become ever more critical as the States Members of the United Nations are expected to adopt a new financing framework for sustainable development in July and an ambitious post-2015 sustainable development agenda in September. Realization of the post-2015 development agenda will require strengthened international cooperation to build resilience against economic shocks and contagion, and ensure the adequacy and predictability of long-term development finance.